

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	7
Statement of Activities	B	8
Governmental Fund Financial Statements:		
Balance Sheet	C	9
Reconciliation of the Balance Sheet - Governmental Funds to the		
Statement of Net Position	D	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes		
in Fund Balances - Governmental Funds to the Statement of Activities	F	12
Proprietary Fund Financial Statements:		
Statement of Net Position	G	13
Statement of Revenues, Expenses, and Changes		
in Fund Net Position	H	14
Statement of Cash Flows	I	15
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities - Agency Funds	J	16
Notes to Financial Statements		17-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes		
in Balances - Budget and Actual (Cash Basis) - All Governmental Funds		33
Budget to GAAP Reconciliation		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Schedule of Funding Progress for the Retiree Health Plan		36
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Schedule of Revenues, Expenditures, and Changes		
in Fund Balances	2	39
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	40
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	41
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	5	42
Independent Auditor's Report on Internal Control over Financial Reporting		
and on Compliance and Other Matters Based on an Audit of Financial		
Statements Performed in Accordance with <i>Government Auditing Standards</i>		43-44
Schedule of Findings		45-49

SAC COUNTY

OFFICIALS

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Bensley	Board of Supervisors	Jan. 2013
Rick Hecht	Board of Supervisors	Jan. 2015
Dean Stock	Board of Supervisors	Jan. 2015
James W. Dowling	County Auditor	Jan. 2013
Vicki Peyton	County Treasurer	Jan. 2015
Nancy Auen	County Recorder	Jan. 2015
Ken McClure	County Sheriff	Jan. 2013
Ben Smith	County Attorney	Jan. 2015
Robert Hawks	County Assessor	Jan. 2016

(After January 2013)

Rick Hecht	Board of Supervisors	Jan. 2015
Dean Stock	Board of Supervisors	Jan. 2015
Ranell Drake	Board of Supervisors	Jan. 2017
James W. Dowling	County Auditor	Jan. 2017
Vicki Peyton	County Treasurer	Jan. 2015
Nancy Auen	County Recorder	Jan. 2015
Ken McClure	County Sheriff	Jan. 2017
Ben Smith	County Attorney	Jan. 2015
Robert Hawks	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 15 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be recorded and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sac County at June 30, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sac County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for each of the years in the nine year period ending June 30, 2012 (which are not presented herein), and expressed adverse opinions on those financial statements because capital assets and depreciation expense on those assets was omitted. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014 on our consideration of Sac County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sac County's internal control over financial reporting and compliance.

January 29, 2014

Hummelman, Putzyies & Co., PLC

SAC COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Conservation <u>Foundation</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments	\$ 6,313,393	\$ 64,002
Receivables:		
Property tax:		
Delinquent	11,088	-
Succeeding year	5,123,817	-
Interest and penalty on property tax	43,235	-
Accounts	230,383	-
Accrued interest	3,863	-
Drainage assessments	95,235	-
Due from other governments	185,622	-
Inventories	993,420	-
Prepaid expenses	50,220	-
Total assets	<u>13,050,276</u>	<u>64,002</u>
<u>LIABILITIES</u>		
Accounts payable	454,758	-
Due to other governments	143,110	-
Accrued interest payable	52,364	-
Salaries and benefits payable	47,719	-
Deferred revenue:		
Succeeding year property tax	5,123,817	-
Other	103,561	-
Long-term liabilities:		
Portion due or payable within one year:		
Note payable	42,000	-
Compensated absences	160,046	-
Portion due or payable after one year:		
Note payable	87,000	-
Drainage warrants/drainage improvement certificates payable	280,672	-
Net OPEB liability	182,330	-
Total liabilities	<u>6,677,377</u>	<u>-</u>
<u>NET POSITION</u>		
Restricted for:		
Supplemental levy purposes	169,594	-
Mental health purposes	517	-
Secondary roads purposes	4,820,565	-
Rural services purposes	65,646	-
Debt service	70,195	-
Other purposes	181,342	-
Unrestricted	<u>1,065,040</u>	<u>64,002</u>
Total net position	<u>\$ 6,372,899</u>	<u>\$ 64,002</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government Total</u>	<u>Component Unit Conservation Foundation</u>
Functions/Programs						
Primary Government:						
Governmental activities:						
Public safety and legal services	\$ 2,174,618	\$ 524,169	\$ 153,230	\$ -	\$ (1,497,219)	\$ -
Physical health and social services	575,028	197,729	197,732	-	(179,567)	-
Mental health	861,035	1,198	657,629	-	(202,208)	-
County environment and education	727,335	47,731	28,772	-	(650,832)	-
Roads and transportation	4,760,420	136,642	5,647,706	-	1,023,928	-
Governmental services to residents	386,883	226,125	-	-	(160,758)	-
Administration	1,281,222	8,205	2,987	-	(1,270,030)	-
Non-program	101,151	-	-	67,551	(33,600)	-
Interest on long-term debt	6,773	-	-	-	(6,773)	-
Total primary government	<u>\$ 10,874,465</u>	<u>\$ 1,141,799</u>	<u>\$ 6,688,056</u>	<u>\$ 67,551</u>	<u>(2,977,059)</u>	<u>-</u>
Component Unit:						
Conservation Foundation	<u>\$ 4,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,277</u>	<u>-</u>	<u>5,713</u>
General Revenues:						
Property and other county tax levied for:						
General purposes					4,821,608	-
Debt service					52,130	-
Penalty and interest on property tax					33,136	-
State tax credits					230,586	-
Local option sales tax					410,241	-
Unrestricted investment earnings					40,279	174
Miscellaneous					251,079	-
Total general revenues					<u>5,839,059</u>	<u>174</u>
Change in net position					2,862,000	5,887
Net position beginning of year, as restated					<u>3,510,899</u>	<u>58,115</u>
Net position end of year					<u>\$ 6,372,899</u>	<u>\$ 64,002</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
<u>ASSETS</u>						
Cash, cash equivalents and pooled investments	\$ 1,581,617	\$ 122,120	\$ 69,474	\$ 4,275,702	\$ 264,480	\$ 6,313,393
Receivables:						
Property tax:						
Delinquent	8,772	1,816	331	-	169	11,088
Succeeding year	2,982,338	459,616	1,630,248	-	51,615	5,123,817
Interest and penalty on property tax	43,235	-	-	-	-	43,235
Accounts	222,304	-	-	7,404	675	230,383
Accrued interest	3,816	-	-	-	47	3,863
Drainage assessments	-	-	-	-	95,235	95,235
Due from other funds	20,136	-	-	-	-	20,136
Due from other governments	119,587	56,300	-	9,735	-	185,622
Inventories	-	-	-	993,420	-	993,420
Prepaid expenses	31,808	3,845	1,595	15,437	-	52,685
Total assets	<u>\$ 5,013,613</u>	<u>\$ 643,697</u>	<u>\$ 1,701,648</u>	<u>\$ 5,301,698</u>	<u>\$ 412,221</u>	<u>\$ 13,072,877</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 38,332	\$ 29,115	\$ 519	\$ 366,114	\$ 453	\$ 434,533
Due to other governments	8,223	127,034	1,014	6,839	-	143,110
Interest payable	-	-	-	-	51,988	51,988
Salaries and benefits payable	40,555	-	4,220	2,944	-	47,719
Deferred revenue:						
Succeeding year property tax	2,982,338	459,616	1,630,248	-	51,615	5,123,817
Other	52,007	1,816	331	-	95,404	149,558
Total liabilities	<u>3,121,455</u>	<u>617,581</u>	<u>1,636,332</u>	<u>375,897</u>	<u>199,460</u>	<u>5,950,725</u>
Fund balances:						
Nonspendable						
Inventory	-	-	-	993,420	-	993,420
Prepaid expenses	31,808	3,845	1,595	15,437	-	52,685
Restricted for:						
Supplemental levy purposes	167,754	-	-	-	-	167,754
Mental health purposes	-	22,271	-	-	-	22,271
Rural services purposes	-	-	63,721	-	-	63,721
Secondary roads purposes	-	-	-	3,916,944	-	3,916,944
Debt service	-	-	-	-	29,402	29,402
Other purposes	-	-	-	-	183,359	183,359
Unassigned	1,692,596	-	-	-	-	1,692,596
Total fund balances	<u>1,892,158</u>	<u>26,116</u>	<u>65,316</u>	<u>4,925,801</u>	<u>212,761</u>	<u>7,122,152</u>
Total liabilities and fund balances	<u>\$ 5,013,613</u>	<u>\$ 643,697</u>	<u>\$ 1,701,648</u>	<u>\$ 5,301,698</u>	<u>\$ 412,221</u>	<u>\$ 13,072,877</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit D

Total governmental fund balances	\$ 7,122,152
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	54,323
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, other postemployment benefits payable, and drainage warrants payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(752,425)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	<u>(51,151)</u>
Net position of governmental activities	<u>\$ 6,372,899</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit E

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:						
Property and other County tax	\$ 3,078,067	\$ 552,240	\$ 1,600,669	\$ -	\$ 52,142	\$ 5,283,118
Interest and penalty on property tax	25,585	-	-	-	-	25,585
Intergovernmental	532,494	684,594	70,844	5,734,537	12,140	7,034,609
Licenses and permits	8,220	-	-	5,855	-	14,075
Charges for services	927,905	429	2,313	7,676	13,443	951,766
Use of money and property	39,928	-	-	-	316	40,244
Miscellaneous	144,683	-	150	39,245	67,894	251,972
Total revenues	<u>4,756,882</u>	<u>1,237,263</u>	<u>1,673,976</u>	<u>5,787,313</u>	<u>145,935</u>	<u>13,601,369</u>
Expenditures:						
Operating:						
Public safety and legal services	1,974,154	-	138,076	-	6,015	2,118,245
Physical health and social services	599,083	-	-	-	-	599,083
Mental health	-	858,129	-	-	-	858,129
County environment and education	430,879	-	300,603	-	-	731,482
Roads and transportation	-	-	-	4,447,246	-	4,447,246
Governmental services to residents	377,573	-	3,835	-	2,318	383,726
Administration	1,211,027	-	-	-	-	1,211,027
Non-program	-	-	-	-	101,151	101,151
Debt service	-	-	-	-	47,970	47,970
Capital projects	-	-	-	305,985	-	305,985
Total expenditures	<u>4,592,716</u>	<u>858,129</u>	<u>442,514</u>	<u>4,753,231</u>	<u>157,454</u>	<u>10,804,044</u>
Excess (deficiency) of revenues over expenditures	<u>164,166</u>	<u>379,134</u>	<u>1,231,462</u>	<u>1,034,082</u>	<u>(11,519)</u>	<u>2,797,325</u>
Other financing sources (uses):						
Operating transfers in (out)	(111,928)	-	(1,207,468)	1,317,079	2,317	-
Drainage district warrants	-	-	-	-	63,579	63,579
Sale of assets	8,165	-	-	102,319	-	110,484
Total other financing sources (uses)	<u>(103,763)</u>	<u>-</u>	<u>(1,207,468)</u>	<u>1,419,398</u>	<u>65,896</u>	<u>174,063</u>
Net change in fund balances	60,403	379,134	23,994	2,453,480	54,377	2,971,388
Fund balances, beginning of year, as restated	<u>1,831,755</u>	<u>(353,018)</u>	<u>41,322</u>	<u>2,472,321</u>	<u>158,384</u>	<u>4,150,764</u>
Fund balances, end of year	<u>\$ 1,892,158</u>	<u>\$ 26,116</u>	<u>\$ 65,316</u>	<u>\$ 4,925,801</u>	<u>\$ 212,761</u>	<u>\$ 7,122,152</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit F

Net change in fund balances - Total governmental funds \$ 2,971,388

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Some revenues will not be collected for several months after the
 County's year end, therefore, they are not considered available revenues
 and are deferred in the governmental funds as follows:

Property tax	\$ 8,410	
Other	(218)	8,192

Proceeds from issuing long-term liabilities provide current financial
 resources to governmental funds, but issuing debt increases long-term
 liabilities in the Statement of Net Position. Repayment of long-term
 liabilities is an expenditure in the governmental funds, but the repayment
 reduces long-term liabilities in the Statement of Net Position. Current year
 issues exceeded repayments as follows:

Issued drainage district warrants	(79,490)	
Redeemed drainage district warrants	15,911	
Payments on long-term debt	41,000	(22,579)

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in the governmental funds, as follows:

Compensated absences	85,459	
Other post employment benefits	(47,873)	
Interest on long-term debt	197	37,783

The Internal Service Fund is used by management to charge the costs of
 the partial self-funding of the County's health insurance benefit plan
 to individual funds. The change in net position of the Internal Service Fund
 is reported with governmental activities.

(132,784)

Change in net position of governmental activities \$ 2,862,000

SAC COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

Exhibit G

	Internal Service Employee <u>Group Health</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
<u>LIABILITIES</u>	
Accounts payable	20,224
Due to other funds	20,136
Deferred revenue	<u>10,791</u>
Total liabilities	<u>51,151</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ (51,151)</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Exhibit H

	Internal Service Employee <u>Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 13,046
Reimbursements from employees and others	<u>23,266</u>
Total operating revenues	36,312
Operating expenses:	
Insurance premiums and administrative fees	<u>169,132</u>
Operating loss	(132,820)
Non-operating revenues:	
Interest income	<u>36</u>
Net loss	(132,784)
Net position beginning of year	<u>81,633</u>
Net position end of year	<u><u>\$ (51,151)</u></u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Exhibit I

	Internal Service Employee <u>Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements and employees	\$ 46,496
Cash payments for medical claims and administrative fees	<u>(177,809)</u>
Net cash used for operating activities	(131,313)
 Cash flows from noncapital financing activities:	
Advances from other funds	<u>20,136</u>
 Cash flows from investing activities:	
Interest on investments	<u>36</u>
 Net decrease in cash and cash equivalents	(111,141)
 Cash and cash equivalents, beginning of year	<u>111,141</u>
 Cash and cash equivalents, end of year	<u>\$ -</u>
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (132,820)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Decrease in accounts payable	(8,677)
Increase in deferred revenue	<u>10,184</u>
 Net cash used for operating activities	<u>\$ (131,313)</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer	\$ 555,075
Other County officials	31,489

Receivables:

Property tax:

Delinquent	55,316
------------	--------

Succeeding year	10,953,844
-----------------	------------

Accounts	26,081
----------	--------

Due from other governments	13,366
----------------------------	--------

Special assessments	136,429
---------------------	---------

Total assets	<u>11,771,600</u>
--------------	-------------------

LIABILITIES

Accounts payable	27,897
------------------	--------

Salaries and benefits payable	625
-------------------------------	-----

Due to other governments	11,743,078
--------------------------	------------

Total liabilities	<u>11,771,600</u>
-------------------	-------------------

Net Position	<u>\$ -</u>
--------------	-------------

See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sac County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sac County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Sac County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two hundred thirty-six drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac County Auditor's office.

Discretely Presented Component Unit – The Sac County Conservation Foundation is a legally separate, tax-exempt, component unit of Sac County. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the County in support of conservation purposes. Although the County does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the County by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the County, the foundation is considered a component unit of the County and is discretely presented in the County's financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity- (Continued)

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship, if any, with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in two categories.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Property Tax Receivable - (Continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012, through June 30, 2013; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. These assessments receivable represent assessments which are payable but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid - The prepaid represents employee health insurance premiums for next fiscal year.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments at June 30, 2013, include drainage district warrants with a carrying amount of \$12,271. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,639,439 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in Iowa Public Agency Investment Trust is unrated.

3. DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payable at June 30, 2013 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 20,136	\$ -
Proprietary Fund:		
Internal Service Employee Group Health	<u>-</u>	<u>20,136</u>
	<u>\$ 20,136</u>	<u>\$ 20,136</u>

The General Fund interfund receivable balance is a result of advances made during the year to finance the Proprietary Fund- Internal Service Employee Group Health, which had overdrawn its share of the internal investment pool. The balance is scheduled to be collected in the subsequent year.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Sheriff's K-9	General	\$ 2,317
Special Revenue: Secondary Roads	General	109,611
	Special Revenue: Rural Services	1,207,468
		<u>1,317,079</u>
Total		<u>\$ 1,319,396</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 8,223
Special Revenue:		
Mental Health	Services	\$ 127,034
Rural Services		1,014
Secondary Roads		<u>6,839</u>
		<u>134,887</u>
Total for governmental funds		<u>\$ 143,110</u>
Agency:		
County Assessor	Collections	\$ 289,132
Schools		7,826,997
Community Colleges		568,352
Corporations		2,162,608
Townships		235,099
Auto License and Use Tax		262,103
Agricultural Extension		125,829
All other		<u>272,958</u>
Total for agency funds		<u>\$ 11,743,078</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance, beginning of year	\$ 170,000	\$ 245,505	\$ 217,093	\$ 134,457	\$ 767,055
Increases	-	-	79,490	54,140	133,630
Decreases	<u>(41,000)</u>	<u>(85,459)</u>	<u>(15,911)</u>	<u>(6,267)</u>	<u>(148,637)</u>
Balance, end of year	<u>\$ 129,000</u>	<u>\$ 160,046</u>	<u>\$ 280,672</u>	<u>\$ 182,330</u>	<u>\$ 752,048</u>
Due within one year	<u>\$ 42,000</u>	<u>\$ 160,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,046</u>

Note Payable

A summary of the County's June 30, 2013, note payable is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.10%	42,000	5,289	47,289
2015	4.10%	43,000	3,567	46,567
2016	4.10%	44,000	1,809	45,809
		<u>\$ 129,000</u>	<u>\$ 10,665</u>	<u>\$ 139,665</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$332,635, \$304,993, and \$264,975, respectively, equal to the required contributions for each year.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. RISK MANAGEMENT

Sac County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years. Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013, were \$145,543.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. RISK MANAGEMENT - (Continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Group Services, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,000 for single coverage and \$4,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2013, was \$22,843.

Amounts payable from the Employee Group Health Fund at June 30, 2013, total \$20,224, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2013, the County has actual claims and expenses in excess of accumulated funds of \$51,151, which is reported as a deficit net position of the Internal Service, Employee Group Health Fund.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 87 active members and no retired members in the plan. Retired participants must meet IPERS normal retirement age. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

The medical/prescription drug coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur.

The required contribution is based on projected pay-as-you-go financing. Retirees receiving benefits have required monthly contributions of:

<u>Plan</u>	<u>Single</u>	<u>Family</u>
#1	\$ 474.57	\$1,126.08
#2	\$ 425.84	\$ 993.06
#3	\$ 418.66	\$ 972.95

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 50,779
Interest on net OPEB obligation	3,361
Adjustment to annual required contribution	<u>(6,267)</u>
Annual OPEB cost	47,873
Contributions made	<u>-</u>
Increase in net OPEB obligation	47,873
Net OPEB obligation beginning of year	<u>134,457</u>
Net OPEB obligation end of year	<u>\$ 182,330</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 45,900	0.00%	\$ 86,871
June 30, 2012	\$ 47,586	0.00%	\$134,457
June 30, 2013	\$ 47,873	0.00%	\$182,330

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$430,321, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$430,321. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,786,000 and the ratio of the UAAL to covered payroll was 11.36%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Annual retirement and termination probabilities were based on 80% for actives currently electing coverage beginning at age 55.

The UAAL is being amortized as a level dollar cost on a closed basis over 30 years. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method. The information presented is intended to approximate the funding progress of the plan.

11. COMMITMENTS

The County entered into the following contracts prior to June 30, 2013, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-13</u>	<u>Remaining Commitment As of 6-30-13</u>
Roadway PCC patching	<u>\$ 252,875</u>	<u>\$ -</u>	<u>\$ 252,875</u>

The balance remaining at June 30, 2013, will be paid as work on the project progresses.

12. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2013, \$68,310 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$1,009,013 according to the Agency's latest audit report available, which was for the year ended June 30, 2012.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6f) of the Iowa Administrative Code.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

13. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2012, is summarized as follows:

Net assets, beginning of year	\$ 313,665
Revenues	884,848
Expenses	<u>942,967</u>
Net assets, end of year	<u>\$ 255,546</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

14. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$860,000 is outstanding at June 30, 2013. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

15. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

16. OPERATING LEASE

The County has four leases. The Auditor's office leases a postage machine, and the Mental Health, County Attorney and Veteran's Affairs departments each lease a copy machine. Rental expense incurred for the leases was \$10,052 for the year ended June 30, 2013. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2014	\$ 10,140
2015	10,140
2016	9,540
2017	7,471
2018	<u>4,833</u>
Total minimum lease payments	<u>\$ 42,124</u>

17. DEFICIT FUND BALANCES

The Proprietary Fund – Internal Service Employee Health had a deficit net position of \$51,151 at June 30, 2013. The deficit balance was a result of payables as of June 30, 2013.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

18. ACCOUNTING RESTATEMENTS

Beginning fund balance for governmental funds has been restated to reflect a correction of ambulance accounts receivable in beginning fund balance for the General Fund. This restatement is summarized below:

Beginning fund balance, June 30, 2012, as previously reported	\$ 1,864,646
Correction	<u>(32,891)</u>
Restated beginning fund balance, June 30, 2012	<u>\$ 1,831,755</u>

Beginning net position for governmental activities has been restated to reflect the same correction. This restatement is summarized below:

Net position, June 30, 2012 as previously reported	\$ 3,543,790
Correction	<u>(32,891)</u>
Restated net position, June 30, 2012	<u>\$ 3,510,899</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAC COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

		Less Funds Not Required to be		<u>Budgeted Amounts</u>		Final to Net Variance
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>	<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$5,311,660	\$ -	\$5,311,660	\$5,403,427	\$5,438,187	\$ (126,527)
Interest and penalty on property tax	25,585	-	25,585	35,277	35,277	(9,692)
Intergovernmental	7,041,055	-	7,041,055	5,414,931	5,403,491	1,637,564
Licenses and permits	17,085	-	17,085	15,000	16,500	585
Charges for service	1,106,398	-	1,106,398	884,438	975,738	130,660
Use of money and property	41,719	-	41,719	48,068	48,068	(6,349)
Miscellaneous	261,598	67,770	193,828	114,800	116,933	76,895
Total receipts	<u>13,805,100</u>	<u>67,770</u>	<u>13,737,330</u>	<u>11,915,941</u>	<u>12,034,194</u>	<u>1,703,136</u>
Disbursements:						
Public safety and legal services	2,188,801	-	2,188,801	2,208,395	2,261,085	72,284
Physical health and social services	602,283	-	602,283	602,628	609,828	7,545
Mental health	1,336,195	-	1,336,195	1,782,309	1,782,309	446,114
County environment and education	744,855	-	744,855	767,993	809,993	65,138
Roads and transportation	4,209,452	-	4,209,452	4,338,900	4,338,900	129,448
Governmental services to residents	388,360	-	388,360	383,368	402,816	14,456
Administration	1,221,669	-	1,221,669	1,196,185	1,330,350	108,681
Debt service	47,970	-	47,970	55,000	55,000	7,030
Capital projects	407,877	101,893	305,984	423,000	423,000	117,016
Total disbursements	<u>11,147,462</u>	<u>101,893</u>	<u>11,045,569</u>	<u>11,757,778</u>	<u>12,013,281</u>	<u>967,712</u>
Excess (deficiency) of receipts over disbursements	2,657,638	(34,123)	2,691,761	158,163	20,913	2,670,848
Other financing sources, net	<u>174,063</u>	<u>63,579</u>	<u>110,484</u>	<u>119,000</u>	<u>119,000</u>	<u>(8,516)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,831,701	29,456	2,802,245	277,163	139,913	2,662,332
Balance beginning of year	<u>3,501,829</u>	<u>24,549</u>	<u>3,477,280</u>	<u>3,150,748</u>	<u>3,477,280</u>	<u>-</u>
Balance end of year	<u>\$6,333,530</u>	<u>\$ 54,005</u>	<u>\$6,279,525</u>	<u>\$3,427,911</u>	<u>\$3,617,193</u>	<u>\$2,662,332</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 13,805,100	\$ (203,731)	\$ 13,601,369
Expenditures	<u>11,147,462</u>	<u>(343,418)</u>	<u>10,804,044</u>
Net	2,657,638	139,687	2,797,325
Other financing sources, net	174,063	-	174,063
Beginning fund balances	<u>3,501,829</u>	<u>648,935</u>	<u>4,150,764</u>
Ending fund balances	<u>\$ 6,333,530</u>	<u>\$ 788,622</u>	<u>\$ 7,122,152</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund, and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$255,503. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, and for Emergency Management Services by the Sac County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

SAC COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	July 1, 2009	-	\$349,152	\$ 349,152	0.00%	\$3,516,000	9.93%
2011	July 1, 2009	-	\$403,392	\$ 403,392	0.00%	\$3,544,000	11.38%
2012	July 1, 2009	-	\$334,893	\$ 334,893	0.00%	\$3,676,000	9.11%
2013	July 1, 2012	-	\$430,321	\$ 430,321	0.00%	\$3,786,000	11.36%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

The above information was prepared using the entry age actuarial cost method. The purpose of this disclosure is to provide information that approximates the funding progress of the plan.

SUPPLEMENTARY INFORMATION

SAC COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Schedule 1

	Special Revenue										
	Sheriff	County Recorder's Records Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Debt Service	Total
<u>ASSETS</u>											
Cash and pooled investments	\$ 659	\$ 19,352	\$ 54,005	\$ 12,779	\$ 1,243	\$ 16,057	\$ 594	\$ 100,885	\$ 29,504	\$ 29,402	\$ 264,480
Receivables:											
Property tax:											
Delinquent	-	-	-	-	-	-	-	-	-	169	169
Succeeding year	-	-	-	-	-	-	-	-	-	51,615	51,615
Accounts	-	666	-	-	-	9	-	-	-	-	675
Accrued interest	-	3	-	-	-	-	-	44	-	-	47
Drainage assessments	-	-	95,235	-	-	-	-	-	-	-	95,235
Total assets	<u>\$ 659</u>	<u>\$ 20,021</u>	<u>\$ 149,240</u>	<u>\$ 12,779</u>	<u>\$ 1,243</u>	<u>\$ 16,066</u>	<u>\$ 594</u>	<u>\$ 100,929</u>	<u>\$ 29,504</u>	<u>\$ 81,186</u>	<u>\$ 412,221</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453
Interest payable	-	-	51,988	-	-	-	-	-	-	-	51,988
Deferred revenue:											
Succeeding year property tax	-	-	-	-	-	-	-	-	-	51,615	51,615
Other	-	-	95,235	-	-	-	-	-	-	169	95,404
Total liabilities	<u>-</u>	<u>-</u>	<u>147,223</u>	<u>-</u>	<u>453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,784</u>	<u>199,460</u>
Fund balances:											
Restricted for:											
Debt service	-	-	-	-	-	-	-	-	-	29,402	29,402
Other purposes	659	20,021	2,017	12,779	790	16,066	594	100,929	29,504	-	183,359
Total fund balances	<u>659</u>	<u>20,021</u>	<u>2,017</u>	<u>12,779</u>	<u>790</u>	<u>16,066</u>	<u>594</u>	<u>100,929</u>	<u>29,504</u>	<u>29,402</u>	<u>212,761</u>
Total liabilities and fund balances	<u>\$ 659</u>	<u>\$ 20,021</u>	<u>\$ 149,240</u>	<u>\$ 12,779</u>	<u>\$ 1,243</u>	<u>\$ 16,066</u>	<u>\$ 594</u>	<u>\$ 100,929</u>	<u>\$ 29,504</u>	<u>\$ 81,186</u>	<u>\$ 412,221</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Schedule 2

	Special Revenue											
	Sheriff	County Recorder's Records Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Debt Service	Total
Revenues:												
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,142	\$ 52,142
Intergovernmental	-	-	-	-	-	-	-	-	9,625	-	2,515	12,140
Charges for services	-	2,758	-	3,390	-	-	5,875	-	-	1,420	-	13,443
Use of money and property	-	47	-	19	4	-	23	-	223	-	-	316
Miscellaneous	-	-	67,769	-	-	125	-	-	-	-	-	67,894
Total revenues	-	2,805	67,769	3,409	4	125	5,898	-	9,848	1,420	54,657	145,935
Expenditures:												
Operating:												
Public safety and legal services	-	-	-	-	1,677	549	3,789	-	-	-	-	6,015
Government services to residents	-	2,318	-	-	-	-	-	-	-	-	-	2,318
Non-program	-	-	101,151	-	-	-	-	-	-	-	-	101,151
Debt service	-	-	-	-	-	-	-	-	-	-	47,970	47,970
Total expenditures	-	2,318	101,151	-	1,677	549	3,789	-	-	-	47,970	157,454
Excess (deficiency) of revenues over expenditures	-	487	(33,382)	3,409	(1,673)	(424)	2,109	-	9,848	1,420	6,687	(11,519)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	2,317	-	-	-	-	-	2,317
Drainage district warrants	-	-	63,579	-	-	-	-	-	-	-	-	63,579
Total other financing sources (uses)	-	-	63,579	-	-	2,317	-	-	-	-	-	65,896
Excess (deficiency) of revenues and other financing sources over expenditures	-	487	30,197	3,409	(1,673)	1,893	2,109	-	9,848	1,420	6,687	54,377
Fund balances beginning of year	659	19,534	(28,180)	9,370	2,463	(1,893)	13,957	594	91,081	28,084	22,715	158,384
Fund balances end of year	\$ 659	\$ 20,021	\$ 2,017	\$ 12,779	\$ 790	\$ -	\$ 16,066	\$ 594	\$ 100,929	\$ 29,504	\$ 29,402	\$ 212,761

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2013

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,909	\$ 99,842	\$ 88,556	\$ 5,973	\$ 27,426	\$ 2,496	\$ 262,103	\$ 66,770	\$ 555,075
Other County officials	31,489	-	-	-	-	-	-	-	-	31,489
Receivables:										
Property tax:										
Delinquent	-	519	596	24,532	1,624	27,980	58	-	7	55,316
Succeeding year	-	123,401	213,961	7,713,909	560,755	2,107,202	232,545	-	2,071	10,953,844
Accounts	133	-	-	-	-	-	-	-	25,948	26,081
Due from other governments	-	-	-	-	-	-	-	-	13,366	13,366
Special assessments	-	-	-	-	-	-	-	-	136,429	136,429
Total assets	<u>\$ 31,622</u>	<u>\$ 125,829</u>	<u>\$ 314,399</u>	<u>\$ 7,826,997</u>	<u>\$ 568,352</u>	<u>\$ 2,162,608</u>	<u>\$ 235,099</u>	<u>\$ 262,103</u>	<u>\$ 244,591</u>	<u>\$ 11,771,600</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 25,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,630	\$ 27,897
Salaries and benefits payable	-	-	-	-	-	-	-	-	625	625
Due to other governments	31,622	125,829	289,132	7,826,997	568,352	2,162,608	235,099	262,103	241,336	11,743,078
Total liabilities	<u>\$ 31,622</u>	<u>\$ 125,829</u>	<u>\$ 314,399</u>	<u>\$ 7,826,997</u>	<u>\$ 568,352</u>	<u>\$ 2,162,608</u>	<u>\$ 235,099</u>	<u>\$ 262,103</u>	<u>\$ 244,591</u>	<u>\$ 11,771,600</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF CHANGES FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 42,386	\$ 163,478	\$ 290,480	\$ 7,505,706	\$ 513,623	\$ 2,411,515	\$ 210,403	\$ 269,045	\$ 185,463	\$ 11,592,099
Additions:										
Property and other county tax	-	157,794	181,123	7,262,870	494,881	2,140,422	206,167	-	2,352	10,445,609
E911 surcharge	-	-	-	-	-	-	-	-	121,582	121,582
State tax credits	-	7,705	8,844	358,078	24,109	129,377	9,234	-	97	537,444
Office fees and collections	306,076	-	81	-	-	-	-	-	62,200	368,357
Electronic transaction fee	-	-	-	-	-	-	-	-	2,758	2,758
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,722,999	-	3,722,999
Assessments	-	-	-	-	-	-	-	-	95,237	95,237
Trusts	80,348	-	-	-	-	-	-	-	-	80,348
Miscellaneous	580	-	-	-	-	-	-	-	113,053	113,633
Total additions	387,004	165,499	190,048	7,620,948	518,990	2,269,799	215,401	3,722,999	397,279	15,487,967
Deductions:										
Agency remittances:										
To other governments	317,420	203,148	166,129	7,299,657	464,261	2,518,706	190,705	3,729,941	338,151	15,228,118
Trusts paid out	80,348	-	-	-	-	-	-	-	-	80,348
Total deductions	397,768	203,148	166,129	7,299,657	464,261	2,518,706	190,705	3,729,941	338,151	15,308,466
Balances end of year	\$ 31,622	\$ 125,829	\$ 314,399	\$ 7,826,997	\$ 568,352	\$ 2,162,608	\$ 235,099	\$ 262,103	\$ 244,591	\$ 11,771,600

See accompanying independent auditor's report.

SAC COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

Modified Accrual Basis

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property and other County tax	\$ 5,283,118	\$ 5,141,041	\$ 4,618,054	\$ 4,495,166	\$ 4,268,201	\$ 4,200,821	\$ 4,087,214	\$ 3,614,244	\$ 3,747,231	\$ 3,879,746
Interest and penalty on property tax	25,585	29,044	35,277	29,153	29,695	27,535	31,820	27,760	27,163	27,543
Intergovernmental	7,034,609	4,694,663	4,065,403	4,287,007	4,231,427	3,937,003	3,923,258	4,167,709	3,877,544	3,956,167
Licenses and permits	14,075	18,145	19,905	51,970	25,119	26,815	25,948	23,325	28,003	12,075
Charges for service	951,766	934,466	983,524	1,165,544	1,278,286	930,077	977,521	854,221	715,709	797,098
Use of money and property	40,244	52,045	64,047	49,239	90,125	168,356	199,948	161,936	124,587	102,371
Miscellaneous	251,972	536,493	151,383	99,117	527,605	590,544	52,848	129,172	292,656	477,364
Total	<u>\$ 13,601,369</u>	<u>\$ 11,405,897</u>	<u>\$ 9,937,593</u>	<u>\$ 10,177,196</u>	<u>\$ 10,450,458</u>	<u>\$ 9,881,151</u>	<u>\$ 9,298,557</u>	<u>\$ 8,978,367</u>	<u>\$ 8,812,893</u>	<u>\$ 9,252,364</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 2,118,245	\$ 2,220,839	\$ 2,147,228	\$ 1,780,493	\$ 1,858,646	\$ 1,568,632	\$ 1,533,533	\$ 1,385,775	\$ 1,255,893	\$ 1,379,201
Physical health and social services	599,083	569,952	579,266	710,388	568,608	540,456	525,696	492,304	472,069	601,221
Mental health	858,129	1,878,005	1,680,804	1,426,118	1,520,812	1,450,466	1,366,243	1,429,582	1,473,105	1,386,637
County environment and education	731,482	687,813	783,362	1,064,325	814,923	730,028	674,558	664,232	579,923	519,182
Roads and transportation	4,447,246	3,659,743	4,261,445	3,483,601	3,167,084	3,169,621	3,082,219	3,070,354	2,528,859	2,988,146
Governmental services to residents	383,726	401,256	364,384	359,868	331,455	303,253	321,464	300,480	303,009	299,634
Administration	1,211,027	1,151,882	1,032,175	1,047,649	968,830	1,054,164	892,933	941,489	797,857	779,160
Non-program	101,151	117,557	241,071	88,136	293,508	366,163	503,890	150,583	151,900	70,135
Debt service	47,970	48,634	50,250	50,849	51,424	51,989	54,780	-	9,249	21,504
Capital projects	305,985	245,287	346,925	284,578	770,700	166,339	261,754	993,652	427,433	617,009
Total	<u>\$ 10,804,044</u>	<u>\$ 10,980,968</u>	<u>\$ 11,486,910</u>	<u>\$ 10,296,005</u>	<u>\$ 10,345,990</u>	<u>\$ 9,401,111</u>	<u>\$ 9,217,070</u>	<u>\$ 9,428,451</u>	<u>\$ 7,999,297</u>	<u>\$ 8,661,829</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Sac County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2014. The report on the governmental activities was adverse because capital assets and the related depreciation expense have not been recorded.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sac County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sac County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sac County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Sac County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-(A-E)-13 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items I-(F-G)-13. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sac County's Responses to Findings

Sac County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Sac County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunnegelman, Putzler & Co., PLLC

January 29, 2014

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-13 Segregation of Duties - A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices. This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records.

Recommendation - Each department head should review the operating procedures of their office to obtain the best segregation of duties as possible under the circumstances. The department head should utilize current employees to provide internal checks through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Board of Supervisors and Department Heads continually strive to segregate the duties of the offices to the extent that limited staff will allow.

Conclusion – Response accepted.

- I-B-13 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – Officers and staff take advantage of online information services and conferences sponsored by Iowa State Association of Counties to obtain additional and updated information to help in preparing reliable GAAP financial statements.

Conclusion – Response accepted.

- I-C-13 Accumulated Compensatory Time – One ambulance employee and two conservation employees had accumulated compensatory time in excess of established policies as of June 30, 2013. This amount results in a liability which may become a substantial payment at a future date.

Recommendation – To avoid possible substantial payment in the future, the Board should eliminate some of this accumulation through payments or paid time off.

Response – The Board of Supervisors, Auditor and staff are developing new criteria to control accumulated compensatory time.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements: – (Continued)

- I-D-13 Computation of Paid Time Off – County employees earn various types of paid time off, including vacation. The County's policy establishes that employees earn vacation time on their employment anniversary date. This vacation time is to be taken within a year of the earn date. If the vacation time is not taken in that period, the employee loses the vacation time. An employee can carryover up to one week of vacation time into the next year, if approved by their department head. The County Auditor's office uses their payroll software to track each employee's balance of paid time off. Due to software limitations, the Auditor's deputy responsible for processing payroll must manually adjust these balances if any employee loses vacation time. During the year, this manual adjustment was not performed on several employees. As a result, employee paid time off balances were inflated. These balances are paid out to employees who terminate employment with the County. Therefore, the amounts paid out were not in accordance with policy.

Recommendation – The Auditor's office should satisfy themselves that paid time off balances are being calculated accurately by the software. This may include manual recalculation of current balances in order to correct the software balances. The Auditor's office should perform a thorough review of each employee's balances at their employment anniversary date. Any carryover of vacation time approved by a department head should be received by the Auditor's office in writing and maintained in the employee's file. When employees terminate employment with the County, the Auditor's office should perform a thorough review of the balances before processing a payout.

Also, the Auditor's office should strive to simplify the current process of payroll. A process that is less complex would be easier to understand, review, and recalculate. The Auditor's office should satisfy themselves that payroll is being calculated accurately by the software. This may include manual recalculation when wage rates change or when new deductions are present. The Auditor's office should have another staff member review payroll calculations prior to finalizing the process. The Auditor's office should train another staff member to ensure the process would not be hindered by the absence of the staff member primarily responsible for the payroll process.

Response – Auditor and staff are developing a system to monitor balances of paid time off. Additional staff is being trained to process the payroll in case of absences.

Conclusion – Response accepted.

- I-E-13 Credit Card Documentation – The ambulance department did not provide detailed receipts to support charges listed on an account statement submitted to the Auditor's office for payment. Without the detailed receipts, it is difficult to determine whether the charges are for a valid county purpose.

Recommendation – The ambulance department should provide a detailed receipt for each charge listed on an account statement when submitting the statement to the Auditor's office for payment. The Auditor's office should verify that each charge is supported by a detailed receipt that identifies the county purpose before submitting the claim to the Board of Supervisors for approval.

Response – Ambulance staff have been directed to submit documentation for credit card bills. Auditor staff have been directed to verify the documentation.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements: – (Continued)

INSTANCES OF NON-COMPLIANCE:

I-F-13 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that capital assets be recorded and depreciated in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response – Limited staff and funds restrict the development of an inventory of capital assets.

Conclusion – Response accepted.

I-G-13 Financial Condition –The Proprietary Fund-Internal Service Employee Group Health fund had a deficit net position balance of approximately \$51,000 as of June 30, 2013. In addition, this fund overdrawn its share of the internal investment pool during the year. The General Fund was deemed to have advanced the overdrawn amount to the Internal Service Employee Group Health fund. At June 30, 2013, this advance balance was approximately \$20,000. The advance was neither approved by resolution nor repaid by the end of the fiscal year.

Recommendation – The County should investigate alternatives to eliminate this deficit and return the fund to a sound financial condition.

Response – The Board of Supervisors and Auditors staff have taken steps to maintain a positive balance in the employee group health fund.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Disbursements in certain departments exceeded appropriations prior to the budget amendment.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – All budgets will be reviewed periodically to determine the need for amendment.

Conclusion – Response accepted.

II-B-13 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting: - (Continued)

- II-D-13 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Erritt, Sheriff deputy, Spouse	Cleaning	\$ 2,600

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year.

Recommendation – We recommend the Board determine whether these services were awarded through competitive bidding or have the attorney review the transactions to determine if they are proper.

Response – The Board of Supervisors and County Attorney have reviewed this transaction and have determined it to be proper.

Conclusion – Response accepted.

- II-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-13 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-13 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2013, for the County Extension Office did not exceed the amount budgeted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting: - (Continued)

- II-J-13 Emergency Management Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted for the Emergency Management Commission.

Recommendation – The Emergency Management Coordinator should ensure that budgets are amended before disbursements are allowed to exceed the budget.

Response – Emergency Management Board will be notified if their budget is in need of amendment.

Conclusion – Response accepted.

- II-K-13 Publication of Salaries – Salaries were not published as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The Auditor's office should ensure that salaries are published each year.

Response – No publication of county salaries was an oversight of the County Auditors office. This has been duly noted and salaries will be published pursuant to Chapter 349.18 of the Iowa Code.

Conclusion – Response accepted.